

HOUGHTON LAKE AMBULANCE AUTHORITY

HOUGHTON LAKE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: HOUGHTON LAKE AMBULANCE AUTHORITY	County: ROSCOMMON
Audit Date DECEMBER 31, 2005	Opinion Date FEBRUARY 28, 2006	Date Accountant Report Submitted To State: APRIL 10, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): KESKINE, COOK, MILLER & ALEXANDER, LLP			
Street Address 100 WEST FIRST STREET	City GAYLORD	State MI	ZIP 49735
Accountant Signature 			

Houghton Lake Ambulance Authority

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

February 28, 2006

Members of the Board
Houghton Lake Ambulance Authority
Houghton Lake, MI

We have audited the accompanying financial statements of the governmental activities and the major fund information of Houghton Lake Ambulance Authority, Roscommon County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Houghton Lake Ambulance Authority, Roscommon County, Michigan as of December 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-5 and budgetary comparison information on page 16 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K.K. Cook Miller & Alexander LLP
Keskin, Cook, Miller & Alexander, LLP
Certified Public Accountants

HOUGHTON LAKE AMBULANCE AUTHORITY
8555 Knapp Rd. P.O. Box 746
Houghton Lake, MI 48629
989-422-4116

**HOUGHTON LAKE AMBULANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING DECEMBER 31, 2005**

This section of Houghton Lake Ambulance Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the twelve month period ended December 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The Houghton Lake Ambulance Authority is an independent governmental entity having the power to levy its own taxes. The management Board consists of five representatives, two originally appointed by Roscommon Township, two appointed by Lake Township, and one at-large community member. Term of office is six years. The ambulances operate from a building at 9166 W. Houghton Lake Drive. The business office is currently located at 8555 Knapp Rd. in the Roscommon Township Hall. The Board meets once a month on the second Wednesday to oversee operations. The day-to-day operations are handled by a Licensed Paramedic appointed by the Board as a working manager.

Assets at December 31, 2005 totaled \$733,154. Of this total, \$415,583 represents capital assets net of depreciation. Revenues derived from governmental activities were \$748,457, all classified as program revenues. Overall expenses for the Authority's governmental activities were \$647,162.

The authority entered into new capital leases during the year totaling \$64,973 of which \$26,192 was paid prior to December 31, 2005.

Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Service.

The government-wide financial statement provides both long and short-term information about our overall financial status. The fund financial statements provide financial information using the current measurement focus. The notes to the financial statements

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. That statement of net assets includes all of the Authority's assets and liabilities, both short-term and long-term in nature. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities. This is one method to measure financial health or position.

Over time, increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the Authority, you may also have to consider additional facts such as contribution levels, number of ambulance runs, and collectibility of receivables.

The Authority is involved in one activity only - ambulance services - which is primarily supported by property tax contributions and is therefore reported as a governmental activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's operating fund. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The authority has the following fund:

Ambulance Operating Fund—This fund records all of the financial activity of the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The following represents comparative information of the Authority for the year ended December 31, 2005:

	<u>December 31, 2004</u>	<u>December 31, 2005</u>
Current Assets	\$188,267	\$317,571
Capital Assets, Net	<u>245,514</u>	<u>415,583</u>
Total Assets	<u>533,781</u>	<u>733,154</u>
Current Liabilities	536	65,501
Long-term Debt	<u>-</u>	<u>33,113</u>
Total Liabilities	<u>536</u>	<u>98,614</u>
Net Assets	<u>533,245</u>	<u>634,540</u>
Total Liabilities and Net Assets	<u>\$533,781</u>	<u>\$733,154</u>

Assets: The Authority acquired over \$100,000 in fixed assets due to the purchase of a new ambulance. Cash assets increased by \$100,000 due to the realization of the higher new millage rate and a full fiscal year's history.

Liabilities: New Lifepack monitors were leased from Citicrop resulting in the increase in the Authority's liabilities.

Net Assets: Net assets increased approximately \$100,000 due to a combination of factors such as the increased liabilities and long term debt versus the acquisition of a new ambulance and the revenue derived from the higher millage rate.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

The Authority purchased a new ambulance and leased three new Lifepack monitors for the ambulances.

Long Term Debt:

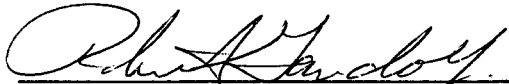
The only outstanding debt the authority has is in the form of two leases for three Lifepack monitors valued at \$65,000. One lease expires in 2006, one in 2007 and at those points the Authority will own them outright.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Authority will take delivery of the new 2006 Excellance Ambulance early in 2006. The Authority anticipates the sale of one of the old ambulances during the year.

CONTACTING MANAGEMENT

This financial report is designed to provide taxpayers, creditors, investors, and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact Mr. Robert Gandolfi, Houghton Lake Ambulance Authority Board Chairperson at 6868 W. Houghton Lake Dr., Houghton Lake, MI 48629 or at P.O. box 746, Houghton Lake, MI 48629. A message may be left for him at the business office 989-422-3312.

A handwritten signature in cursive script, appearing to read "Robert Gandolfi", written over a horizontal line.

Robert Gandolfi, Chair
Houghton Lake Ambulance Authority

HOUGHTON LAKE AMBULANCE AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
Assets			
Cash	\$ 207,046	\$ -	\$ 207,046
Accounts receivable	49,273	51,264	100,537
Prepaid expenses	2,891	-	2,891
Due from employees	3,224	-	3,224
Inventories	3,873	-	3,873
Depreciable capital assets, net	-	370,583	370,583
Nondepreciable capital assets, net	-	45,000	45,000
Total assets	<u>\$ 266,307</u>	<u>466,847</u>	<u>733,154</u>
Liabilities			
Accounts payable	\$ 1,121	-	1,121
Accrued liabilities	4,777	-	4,777
Deferred revenue	53,872	-	53,872
Lease obligations - current	-	5,731	5,731
Lease obligations - noncurrent	-	33,113	33,113
Total liabilities	<u>59,770</u>	<u>38,844</u>	<u>98,614</u>
Fund Balance			
Unreserved and undesignated	199,773	(199,773)	
Reserved	6,764	(6,764)	
Total Fund Balance	<u>206,537</u>	<u>(206,537)</u>	
Total liabilities and fund balance	<u>\$ 266,307</u>		
Net Assets			
Investment in capital assets, net of related debt		376,739	376,739
Unrestricted		257,801	257,801
Total Net Assets		<u>\$ 634,540</u>	<u>\$ 634,540</u>

See Accompanying Notes to Financial Statements

HOUGHTON LAKE AMBULANCE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenues			
Property taxes	\$ 386,007	\$ -	\$ 386,007
Contribution from Roscommon Twp	50,157	-	50,157
Ambulance charges for services	250,506	51,265	301,771
Interest	2,337	-	2,337
Miscellaneous revenue	8,185	-	8,185
Total Revenues	697,192	51,265	748,457
Expenditures			
Salaries and wages	374,408	-	374,408
Fringe benefits	125,501	-	125,501
Ambulance supplies	8,610	-	8,610
Other supplies	5,803	-	5,803
Clothing	2,751	-	2,751
Repairs and maintenance	16,819	-	16,819
Professional services	22,300	-	22,300
Telephone and utilities	11,670	-	11,670
Education and training	3,993	-	3,993
Travel	4,340	-	4,340
Fuel	11,534	-	11,534
Insurance	11,229	-	11,229
Miscellaneous expense	7,726	-	7,726
Depreciation expense	-	37,988	37,988
Capital outlay	69,212	(69,212)	-
Debt service:			
Principal	26,129	(26,129)	-
Interest	2,490	-	2,490
Total Expenditures	704,515	(57,353)	647,162
Excess of Revenues over Expenditures	(7,323)	108,618	101,295
Other Financing Sources (Uses)			
Proceeds from the issuance of debt	26,129	(26,129)	-
Excess of Revenue and Other Sources over Expenditures and Other Uses	18,806	82,489	101,295
Fund Balance / Net Assets			
Beginning of year	187,731	345,514	533,245
End of year	\$ 206,537	\$ 428,003	\$ 634,540

See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 1: ENTITY

In September, 1989, the Townships of Lake and Roscommon, Roscommon County, created the Houghton Lake Ambulance Service as a joint venture for the purpose of operating, maintaining, administering and managing an ambulance service.

The Service was created to benefit the named townships and any other township or municipality which hereafter joins in and becomes a part of such service and the related agreement, all for the betterment of the health, safety, economy and general welfare of the participating municipalities.

Effective April 1, 2004, the Service incorporated as an Authority and is now called the Houghton Lake Ambulance Authority (d.b.a. Houghton Lake EMS). The Authority has the power to levy its own taxes within Lake and Roscommon Townships and has a five-member board.

The Houghton Lake Ambulance Authority adopted a fiscal year end of December 31.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures of the Authority's financial activities.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT
PRESENTATION**

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole.

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPE AND MAJOR FUND

Governmental Fund

The Authority reports the following major governmental fund:

Ambulance Operating Fund - This fund is used to account for all financial transactions of the Authority. The primary sources of revenue are from property taxes and ambulance patient collections.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for debt service principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: Township contributions and ambulance patient collections. In general, other revenues are recognized when cash is received.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

An operating budget is prepared by the Authority annually and presented to the member townships for adoption. The budget is adopted prior to January 1, on the modified accrual basis and is amended at regular intervals throughout the year. The budget has been presented in the financial statements at its amended totals. The budget was adopted on a fund total basis.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. No over-expenditures were noted for the year ended December 31, 2005.

In addition, no significant budget deviations occurred for the year ended December 31, 2005.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

CAPITAL ASSETS AND DEPRECIATION

The Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Authority has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur, if:

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or
4. significantly changes the character of the asset, or
5. the cost should be expensed as repair and maintenance.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	3 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

For information describing capital assets, see Note 4.

LONG-TERM DEBT

In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's General Fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance. The following reconciliation of fund balance to net assets and the change in fund balance to the net change in net assets are as shown:

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Total Fund Balance - Modified Accrual Basis	\$ 206,537
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Amounts reported for in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	415,583
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(38,844)
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Accounts receivable not received within 60 days of year-end are not considered to be measurable and available within the year under audit and therefor are not included in the funds	<u>51,264</u>
--	---------------

Total Net Assets - Full Accrual Basis	<u><u>\$ 634,540</u></u>
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Net Change in Fund Balance - Modified Accrual Basis	\$ 18,806
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceed depreciation in the current period	31,224
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Revenue not received within 60 days of year-end are not considered to be measurable and available within the year under audit and therefor are not included in the funds	<u>51,265</u>
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Change in Net Assets - Full Accrual Basis	<u><u>\$ 101,295</u></u>
---	--------------------------

NOTE 4: CASH

All cash is maintained in a financial institution in the Houghton Lake, Michigan area. All cash deposits are maintained in accounts approved by state statutes. The Authority's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At December 31, 2005, the

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 4: CASH (CONTINUED)

Authority had \$107,046 of bank deposits (certificate of deposit, checking, and savings) that were uninsured and uncollateralized. The Authority believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates the financial institution with which it deposits funds and assesses the level of risk of that institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable from patients at December 31, 2005 is as follows:

Accounts Receivable	\$ 294,344
Allowance for Unbillable Accounts	(167,777)
Allowance for Doubtful Accounts	<u>(26,030)</u>
Net Accounts Receivable	<u><u>\$ 100,537</u></u>

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 6: CAPITAL ASSETS

The Authority's capital assets are categorized as follows:

<u>Governmental Activities:</u>	<u>Balance 1/1/2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2005</u>
Capital assets not being depreciated				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Capital assets being depreciated:				
Buildings	56,425	-	-	56,425
Vehicles	260,706	31,513	-	292,219
Machinery and equipment	36,174	76,544	-	112,718
Office equipment	12,116	-	-	12,116
Subtotal	365,421	108,057	-	473,478
Accumulated depreciation				
Buildings	1,411	1,881	-	3,292
Vehicles	42,184	17,380	-	59,564
Machinery and equipment	16,235	16,533	-	32,768
Office equipment	5,077	2,194	-	7,271
Subtotal	64,907	37,988	-	102,895
Net capital assets being depreciated	300,514	70,069	-	370,583
Net capital assets	<u>\$ 345,514</u>	<u>\$ 70,069</u>	<u>\$ -</u>	<u>\$ 415,583</u>

NOTE 7: DEFERRED REVENUE

The Houghton Lake Ambulance Authority levies 1.69 mills on Lake and Roscommon Townships. The Authority's levy is assessed on the winter tax bills which are mailed December 1st and due February 15th. The levy assessed on December 1, 2005 contributes to the Authority's operating budget for the year ended December 31, 2006.

During the year ended December 31, 2005, the Authority received \$53,872 of the December 1, 2005 property tax revenue from the Treasurer's of Lake and Roscommon Townships. This revenue is deferred and will be recognized for the year ended December 31, 2006.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 8: LEASE OBLIGATIONS

The Authority has entered into various lease agreements for financing the purchase of equipment. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. The future minimum lease obligations and the net present value are as follows:

December 31, 2005	\$ 40,374
Less amount representing interest	<u>1,531</u>
Present value	38,843
Less current portion	<u>5,731</u>
Long-term lease obligation	<u>\$ 33,113</u>

NOTE 9: RESERVED / DESIGNATED FUND BALANCE

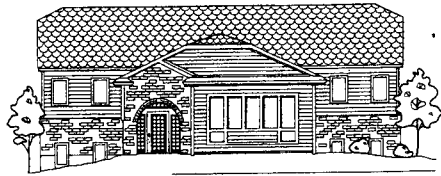
The Authority records a reserved fund balance equal to the sum of its inventory, \$3,873 and prepaid insurance, \$2,891, totaling \$6,764.

NOTE 10: PENSION PLAN

The Ambulance Authority participates in a defined contribution pension plan through the Manufacturers Life Insurance Company. Eligible plan participants include all full time employees. Participants are required to contribute 10% of eligible compensation to the plan. The Ambulance Authority contributes 5% of the participants' eligible compensation to the plan. In addition to the required contributions, participants may make voluntary after tax contributions up to 10% of eligible compensation. The Ambulance Authority made contributions of \$7,093 to the plan in the fiscal year ending December 31, 2005.

HOUGHTON LAKE AMBULANCE AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Revenues				
Property tax revenue	\$ 387,065	\$ 387,065	\$ 386,007	\$ (1,058)
Contribution from Roscommon Twp	-	-	50,157	50,157
Ambulance charges for services	252,000	252,000	250,506	(1,494)
Interest	-	-	2,337	2,337
Miscellaneous revenue	-	-	8,185	8,185
Total Revenues	639,065	639,065	697,192	58,127
Expenditures				
Salaries and wages	314,992	314,992	374,408	(59,416)
Fringe benefits	123,547	123,547	125,501	(1,954)
Ambulance supplies	8,000	8,000	8,610	(610)
Other supplies	2,700	2,700	5,803	(3,103)
Clothing	2,500	2,500	2,751	(251)
Repairs and maintenance	12,000	12,000	16,819	(4,819)
Professional services	17,000	17,000	22,300	(5,300)
Telephone and utilities	11,700	11,700	11,670	30
Education and training	9,500	9,500	3,993	5,507
Travel	500	500	4,340	(3,840)
Fuel	8,000	8,000	11,534	(3,534)
Insurance	11,000	11,000	11,229	(229)
Miscellaneous expense	3,800	3,800	7,726	(3,926)
Capital outlay	61,000	61,000	69,212	(8,212)
Debt service	-	-	26,129	(26,129)
Interest expense	-	-	2,490	(2,490)
Contingency	52,000	52,000	-	(52,000)
Total Expenditures	638,239	638,239	704,515	(66,276)
Excess (Deficiency) of Revenues over Expenditures	826	826	(7,323)	(8,149)
Other Financing Sources				
Proceeds from the issuance of debt	-	-	26,129	26,129
Excess of Revenue and Other Sources over Expenditures	826	826	18,806	17,980
Fund Balance - January 1	187,731	187,731	187,731	-
Fund Balance - December 31	\$ 188,557	\$ 188,557	\$ 206,537	\$ 17,980



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

February 28, 2006

Houghton Lake Ambulance Authority
Roscommon County

We have audited the financial statements of Houghton Lake Ambulance Authority for the year ended December 31, 2005, and have issued our report thereon dated February 28, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 4, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Houghton Lake Ambulance Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Houghton Lake Building Agency are described in the notes to the financial statements.

We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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LOCAL AUDIT & FINANCE DIV.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Houghton Lake Ambulance Authority accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of Houghton Lake Ambulance Authority, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments and recommendations should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- We noted that a inventory count was not performed as of December 31, 2005. It is our understanding that the count was not performed because of various changes in personnel that occurred in December 2005. The periodic valuation of inventory on-hand is imperative to having consistent and reliable financial information. We were able to estimate the amount of inventory on-hand at December 31, 2005 and due to the size of the inventory balance, are able to issue the Authority an unqualified opinion. However, the lack of accurate inventory records could have an impact on the opinion issued for the audit. We recommend that inventory counts be made on a consistent schedule that always includes year-end.

Comments and Recommendations (Continued)

- For the year ended December 31, 2005 an overexpenditure occurred in the general fund of the Authority. Actual expenditures exceeded the final amended budget by \$66,276. The Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended) prohibits the overexpenditure of the final approved budget. We recommend that the Authority use its budget as a flexible management tool and amend it when necessary to avoid overexpenditures.
- The general ledger software currently being used is QuickBooks. When paying vendor invoices in QuickBooks, the date that the checks are being written is being entered into the software instead of the date that is on the invoice. As a result, no accounts payable is being computed by the software. For example, an invoice that is received in December 2005 for goods also received in December is being paid in January 2006. Under the current procedures, the software is not recording the expense until January 2006. As a result, expenses were understated for 2005 and this resulted in an audit adjustment.

We recommend that the invoice date be entered into QuickBooks when paying vendor invoices, which will allow the software to correctly calculate accounts payable balances and accurately accumulated expenses in the correct period.

- The Ambulance Authority's accounting is currently being maintained on a hybrid of full accrual and modified accrual accounting. Under GASB 34, both full accrual and modified accrual are presented within your financial statements; however, the current hybrid method makes it difficult to segregate and adjust accounts to fulfill the requirements of GASB 34. We recommend that the Authority adjusts its current accounting method to full accrual.

This would entail the accounting for fixed assets and debt on the full accrual method which includes the recording of fixed assets, depreciation, and debt instead of expensing purchases and debt payments. The journal entries that we have prepared for the Authority effective December 31, 2005 will convert the Authority's accounting records to full accrual as of December 31, 2005. Further, we have provided to Andrea and Barb a template of common full accrual accounting entries in regards to fixed asset and debt that they are likely to encounter. In addition, we are always available for assistance via the telephone or e-mail.

We hope you find the above comments and recommendations useful. We are available to assist you in implementing these items should the need arise.

This information is intended solely for the information of the Houghton Lake Ambulance Authority's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

K.K. Cook Miller; alexander LLP
Keskin, Cook, Miller & Alexander LLP